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FISCAL IMPACT REPORT

SPONSOR Rehm/Chasey **LAST UPDATED** 2/22/23
ORIGINAL DATE 2/1/2023
SHORT TITLE Front End License Plates **BILL NUMBER** House Bill 56
ANALYST Campbell

REVENUE* (dollars in thousands)

| Estimated Revenue | | | Recurring or Nonrecurring | Fund Affected |
|-------------------|---------|---------|------------------------------|--------------------|
| FY24 | FY25 | FY26 | | |
| \$3,735 | \$3,735 | \$3,735 | Recurring | MVD Operating Fund |

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

| | FY23 | FY24-FY27 | FY28-FY29 | 7 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|-------|---------|------------------------------|------------|----------------------|------------------------------|------------------|
| Total | \$351.0 | Indeterminate but minimal | \$14,942.0 | \$15,293.0 | Nonrecurring | |

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Responses Received From

Department of Transportation (NMDOT)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of House Bill 56

The bill requires most vehicles to display license plates with registration stickers on the front of the vehicle as well as the rear beginning in FY28. It requires TRD to collect an additional fee of \$2 per year of registration for affected vehicles beginning in FY24. The new requirements do not apply to trailers, semitrailers, pole trailers, manufactured homes, school buses, state government vehicles, motorcycles, or off-highway motor vehicles, which will continue to be issued and require only one plate and one sticker.

The effective date of this bill is July 1, 2023, for the fee and July 1, 2027, for the displaying the plate.

FISCAL IMPLICATIONS

Revenue estimates are based on figures from TRD's Motor Vehicle Division (MVD) on the number of vehicles registered each year multiplied by the \$2 fee. Expenditure amounts, nonrecurring in FY28 and FY29, are based on MVD and NMDOT estimates of the total number of existing vehicles multiplied by the cost of the plates. NMDOT notes the initial nonrecurring impact of supplying plates to already registered vehicles will be followed by a recurring impact in the neighborhood of \$1 million due to issuing two plates and registration stickers instead of one going forward. The bill would also double TRD's Motor Vehicle Division's inventory storage space needs and require an additional FTE to manage inventory load, representing additional recurring costs, although those costs are not included in fiscal impact tables.

TRD notes that implementation of the bill would have a high impact on its Information Technology Division, requiring 1,320 hours (33 weeks) and about \$350,513 to develop, test, and implement changes to its Tapestry system. Because of the time required to implement changes to TRD's systems and its vendors' systems, TRD suggests the FY24 start date for collection would not be feasible but that a start date of July 1, 2024, would be.

SIGNIFICANT ISSUES

This bill will require citizens to purchase and install front license plate brackets for vehicles they currently own. Additionally, dealerships will need to provide or sell and install front license plate brackets on new vehicles sold. This cost would most likely be paid by the consumer.

TECHNICAL ISSUES

The fee imposed in section 5 of the bill appears to conflict with Section 66-3-16(A) NMSA 1978 (mobility limitation special plate) which prohibits imposition of fees beyond the regular registration fee for such plates. Adding Section 66-3-16 to the exceptions listed in Section 5 of the bill could address this issue.

Similarly, Section 66-3-423 NMSA 1978 allows the use of antique license plates issued in New Mexico in the same year as the vehicle for motor vehicles thirty or more years old. MVD notes that it would be impossible or nearly impossible to find two identical such plates. Adding Section 66-3-423 to the vehicles listed in Section 2 of the bill (page 3 line 22) could address this issue.

Section 2 of the bill requires MVD to start issuing front plates and takes effect on July 1, 2027, but that is also the date on which section the bill requires front plates to be displayed. NMDOT suggests this would technically render all affected vehicles noncompliant and subject to fine per section 4 of the bill, which takes effect on the same day. Since section 4 only requires the display of front plates that have been issued (page 6, lines 13-14), it may instead be that front plates will become mandatory incrementally, applying only to vehicles whose registration is issued or renewed on or after July 1, 2027.

NMDOT notes the bill imposes the \$2 per year Front Registration Plate Fee on vehicles registered pursuant to the Motor Transportation Act (page 8, lines 3-4), which includes trucks registered under state-apportioned fees within the International Registration Plan (IRP). Citing negligible revenue and considerable difficulty resulting from IRP apportionment of the \$2 fee,

NMDOT suggests exempting vehicles in excess of 26 thousand pounds registered pursuant to the Motor Transportation Act from both the \$2 fee (Section 5 on page 8, lines 3-4) and the front plate requirement (Section 1, Subsection B).

NMDOT also notes the bill may need to provide that revenue from the new fees not revert, suggesting the fee imposed over the first four years would approximately equal the expenditure cost through the fifth year.

ALTERNATIVES

NMDOT suggests the alternative of charging an appropriate one-time fee only on issuance of the additional plates, rather than establishing a permanent \$2 fee, or adding a delayed repeal of the \$2 fee.

POSSIBLE QUESTIONS

What benefits are expected to result from front license plates?

JBC/rl/hg/mg/ne